

Before the  
**Federal Communications Commission**  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
)  
America's Carriers Telecommunication ) RM-8775  
Association Petition for Declaratory Ruling, )  
Special Relief, and Institution of Rulemaking )  
Regarding The Provision of Interstate and )  
International Interexchange Telecommunications )  
Service Via the Internet by Non-Tariffed, )  
Uncertified Entities )

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**COMMENTS  
OF THE  
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) respectfully submits its comments in the above-referenced proceeding. USTA is the principal trade association of the exchange carrier industry. Its members provide over 95 percent of the exchange carrier-provided access lines in the U.S.

On March 4, 1996, the America's Carriers Telecommunication Association (ACTA) filed a Petition for Declaratory Ruling, Special Relief and Institution of Rulemaking regarding the provision of interstate and international interexchange telecommunications service over the Internet by non-tariffed, uncertified entities. Specifically, ACTA charges that providers of Internet phone software and hardware are operating as uncertified and unregulated common carriers in contravention of the Commission's rules. ACTA requests a declaratory ruling that the Commission has authority to regulate interstate and international telecommunications services

using the Internet, and requests that the Commission order specific respondents immediately to stop providing such services unless they comply with the Commission's rules and regulations and that the Commission institute a rulemaking to consider rules governing the use of the Internet for the provision of telecommunications services.

The ACTA petition raises a number of concerns that warrant Commission consideration. The petition provides further evidence that the current access charge structure is outdated given today's telecommunications environment, in part because it does not reflect the way customers are using the network. In particular, the petition brings to light the need to reconsider the exemption from access charges granted to enhanced service providers (ESPs).

In the initial access charge decision, the Commission determined that both interexchange carriers and ESPs should pay usage based interstate access charges. However, the ESPs were granted a "temporary" exemption due to the nascent nature of the industry at that time. In the decade since the "temporary" exemption was granted, the ESP industry has undergone a remarkable maturation. ESPs now include such corporations as AT&T, MCI and Microsoft and provide a wide array of services. The explosive growth of the use of the Internet and various on-line services increases the urgency to address the anomalies caused by the continuation of the ESP exemption.

Internet access is presently the fastest growing use of the telephone network. Voice communication over the Internet is now technically feasible and is increasing. ACTA correctly points out that currently available software enables Internet access providers and other ESPs to readily offer both long distance telecommunications service (end to end voice communications) and information service. The Internet access providers are currently using the public switched

telephone network to offer their long distance service without paying access charges.

Interexchange carriers offering identical long distance service pay access charges. Thus, ESPs are not contributing to the recovery of the costs for the interstate use of the public switched network as other carriers are required to do because of their exemption from access charges.


The interstate portion of end user loop costs are recovered through a combination of flat-rated subscriber line charges paid by the end user and minutes of use (MOU) charges paid by access customers. Additional switched access charges recover the interstate portion of local switching and transport costs. When a customer places an interstate telephone call using the public switched network, interstate switched access charges are assessed to the carrier for the use of the local network, including the MOU carrier common line charge for recovery of the interstate portion of the loop. ESPs pay flat-rated local exchange rates for their use of the public switched network (local, switching and transport). Therefore, when a customer sends an interstate message using an ESP, the ESP is not assessed the switched access charges, including the MOU carrier common line charge. Thus, ESPs pay fundamentally different prices than interexchange carriers for equivalent use of the network. As a result, ESPs are not only avoiding contributing to the full cost of their use of the local network, but are also being subsidized by other users of the network.

USTA agrees that a rulemaking proceeding to consider access charge reform is imperative and that such a proceeding include a review of the changing use of the network and the ESP exemption. However, USTA is not in agreement with ACTA that the resolution of these issues need result in more regulation, such as the regulation of software providers and/or the Internet as ACTA suggests. The Telecommunications Act of 1996 recognizes the need for more

competition, not more regulation. The public interest can best be served by initiating a proceeding to reform the current access charge rules so that all of these issues can be addressed in a timely manner for the benefit of all users and providers of telecommunications services.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

By: \_\_\_\_\_

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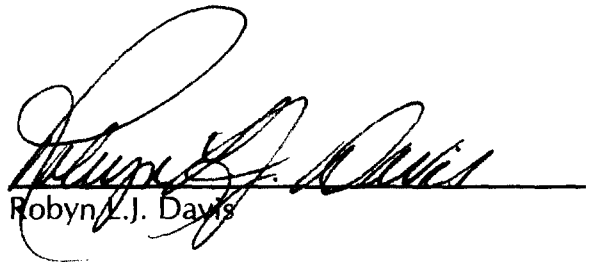
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May 8, 1996

**CERTIFICATE OF SERVICE**

I, Robyn L.J. Davis, do certify that on May 8, 1996 comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.



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